

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY's)	
renewable energy reconciliation proceeding for the)	Case No. U-18247
12-month period ended December 31, 2016.)	
_____)	

At the February 22, 2018 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On June 30, 2017, Wisconsin Electric Power Company (WEPCo) filed its renewable energy (RE) reconciliation application, with supporting testimony and exhibits, requesting authority to reconcile its RE revenues and expenses for 2016. WEPCo's application included its 2016 RE annual report.

A prehearing conference was held on September 12, 2017, before Administrative Law Judge Sharon L. Feldman. WEPCo and the Commission Staff participated in the proceeding. Subsequently, the parties submitted a settlement agreement resolving all issues in the case.

The Commission has reviewed the settlement agreement and finds that the public interest is adequately represented by the parties who entered into the settlement agreement. The Commission further finds that the settlement agreement is in the public interest, represents a fair and reasonable resolution of the proceeding, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Wisconsin Electric Power Company's application for authority to reconcile its renewable energy plan revenues and expenses for the 12-month period ended December 31, 2016, satisfies the requirements of Section 49 of 2008 PA 295, MCL 460.1049, and is approved.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of February 22, 2018.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the application of)	
WISCONSIN ELECTRIC POWER COMPANY's)	Case No. U-18247
renewable energy reconciliation proceeding for)	
<u>the 12-month period ended December 31, 2016.</u>)	

SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 431 of the Michigan Public Service Commission Rules of Practice and Procedure, Mich Admin Code, R 792.10431, Wisconsin Electric Power Company (“Wisconsin Electric” or the “Company”) and the Michigan Public Service Commission Staff (“Staff”), hereby agree as follows:

1. On June 30, 2017, Wisconsin Electric filed in this case its renewable energy (“RE”) reconciliation Application, along with the supporting testimony and exhibits of Christine M. Kane. In its direct case, Wisconsin Electric stated that, for the 12-month period ended December 31, 2016, its RE plan resulted in a regulatory asset of \$1,462,032, including interest, and a cumulative regulatory liability balance of \$1,269,230, including interest, based on the recovery of: (i) pre-2008 PA 295 (“Act 295”) RE costs as system-wide RE via traditional ratemaking mechanisms; (ii) the Michigan allocated share of the costs of Company-owned post-Act 295 sources of RE via Act 295 rate mechanisms (*i.e.*, the transfer price and RE surcharges); and (iii) the cost of RE credit (“REC”)-only purchases made specifically to comply with Act 295 requirements via Act 295’s cost recovery mechanisms. Wisconsin Electric’s 2016 Annual Report was filed with the Application as Exhibit A-2.

2. On August 11, 2017, the Commission's Executive Secretary directed Wisconsin Electric to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships and counties in its Michigan electric service area, and to all intervenors in Case Nos. U-17798 and U-18087, and to publish the Notice of Hearing in daily newspapers of general circulation throughout its Michigan electric service area. Wisconsin Electric electronically filed its affidavits of mailing and proofs of publication on August 18, 2017, and September 7, 2017.

3. Administrative Law Judge ("ALJ") Sharon L. Feldman presided over the September 12, 2017 prehearing conference. The Staff participated in the proceeding, and there were no intervenors. A case schedule was established.

4. Subsequently, the parties participated in settlement discussions, and agree as follows:

A. Wisconsin Electric's 2016 RE reconciliation, as filed in this case, satisfies the requirements of MCL 460.1049. Consistent with the 2015 RE Plan approved in Case No. U-17798, the parties agree to the recovery of Wisconsin Electric's 2016 Michigan allocated share of the costs of post-2008 PA 295 RE generated at Company-owned facilities, namely the Glacier Hills Wind Farm ("Glacier Hills"), the Montfort Energy Center ("Montfort") and the Rothschild Biomass Project ("Rothschild") via the transfer price and RE surcharge mechanisms (subject to limits on Rothschild costs set forth in Paragraph 5.f. of the settlement agreement in Case No. U-17798).

B. The transfer price applicable to RE from Glacier Hills in 2016 was the \$80.41 per megawatt hour ("MWh") transfer price approved in the Commission's Order Approving Settlement Agreement dated May 26, 2009 in Case No. U-15812, which was affirmed in the Commission's October 11, 2012 Order in Case No. U-16367, the

December 19, 2013 Order in Case No. U-17072, and the February 11, 2016 Order in Case No. U-17798, and the transfer price of \$72.02 per MWh applicable to RE from Montfort and Rothschild in 2016 was that contained in the transfer price schedule established in the Commission's December 19, 2013 Order in Case No. U-16662, February 12, 2015 Order in Case No. U-17562, and February 11, 2016 Order in Case No. U-17798.

C. Wisconsin Electric met its REC portfolio requirements in 2016.

D. For the 12-month period that ended December 31, 2016, Wisconsin Electric's reconciliation results in a regulatory asset (including carrying costs through December 31, 2016) for 2016 of \$1,462,032, and a cumulative regulatory liability of \$1,269,230 including interest.

E. Wisconsin Electric's exchange of RE credits in 2016 from system-wide RE allocated to Michigan that did not meet the MCL 460.1029 locational requirements, for like-kind (*e.g.*, wind-for-wind) amounts of Michigan-eligible RECs, without any reallocation of costs, with the exchanged-for Michigan eligible RECs to be used to meet the REC portfolio requirement, and the costs of the system-wide RE and RECs allocated to Michigan that does not meet the MCL 460.1029 locational requirements recovered via traditional rate mechanisms, was consistent with the Commission's December 19, 2013 Order in Case No. U-17072, February 12, 2015 Order Approving Settlement Agreement in Case No. U-17562; and February 11, 2016 Order Approving Settlement Agreement in Case No. U-17798.

F. Wisconsin Electric's 2016 RE Annual Report satisfies the requirements of MCL 460.1051, and Wisconsin Electric is in compliance with the RE standards.

5. The parties are of the opinion that this Settlement Agreement is reasonable, in the public interest, and will aid in the expeditious conclusion of this case. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the parties.

6. The parties further agree that any order approving this Settlement Agreement shall not establish precedent for future proceedings. This Settlement Agreement is based on the facts and circumstances of this case and is intended as the final disposition of Case No. U-18247. If the Commission approves this Settlement Agreement without modification, neither the parties to the settlement nor the Commission shall make any reference to, or use this Settlement Agreement or the order approving it, as a reason, authority, rationale or example for taking any action or position or making any subsequent decision in any other case or proceeding; provided, however, such references may be made to enforce or implement the provisions of this Settlement Agreement and the order approving it.

7. This Settlement Agreement is not severable. Each provision of this Settlement Agreement is dependent upon all other provisions of this Settlement Agreement. Failure to comply with any provision of this Settlement Agreement constitutes failure to comply with the entire Settlement Agreement. If the Commission does not accept the Settlement Agreement without modification, it shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

8. The Settlement Agreement and all offers of settlement and discussions are privileged and shall not be used in any manner, nor be admissible, for any other purpose in connection with this proceeding or any other proceeding except so as to prove the contents herein.

9. All parties agree to waive Section 81 of the APA, as amended MCL 24.281, as it applies to the issues in this proceeding.

WISCONSIN ELECTRIC POWER COMPANY

Dated: December 15, 2017

By: **Michael C. Rampe**
Its Attorney
Michael C. Rampe (P58189)
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**MICHIGAN PUBLIC SERVICE COMMISSION
STAFF**

Dated: December 15, 2017

By: **Spencer Sattler**
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